

Message Text

UNCLASSIFIED

PAGE 01 LONDON 13160 01 OF 02 092100Z

63

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 AID-20 CEA-02 EB-11 FRB-02

NEA-10 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

AGR-20 PER-05 ABF-01 FSE-00 DRC-01 /249 W

----- 083086

R 092046Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5480

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

TREASURY DEPT WASHDC

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 13160

DEPARTMENT ALSO PASS FRB

E.O. 11652: N/A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS: WEEK ENDING NOV 9.

BEGIN SUMMARY: WHILE THE POUND STRENGTHENED AGAINST

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 13160 01 OF 02 092100Z

MAJOR EUROPEAN CURRENCIES THIS WEEK, IT MOVED STEADILY

DOWNWARD AGAINST THE DOLLAR, CLOSING AT \$2.4187 ON THURSDAY (NOV. 8), DOWN 163 POINTS FROM LAST THURSDAY (NOV. 1). BY THURSDAY, THE TRADE-WEIGHTED DEPRECIATION AGAINST SMITHSONIAN RATES HAD NARROWED TO 17.30 PERCENT FROM 18.45 PERCENT A WEEK AGO. GOLD TRADED AT ABOUT \$98 ALL WEEK. U.K. OFFICIAL RESERVES ROSE BY \$379 MILLION DURING OCTOBER WHICH INCLUDED AN INFLOW OF \$357 MILLION FROM PUBLIC SECTOR BORROWING IN THE EURODOLLAR MARKET; RESERVES NOW STAND AT \$6761 MILLION. RETAIL SALES FIGURES FOR SEPTEMBER CONFIRM THAT THERE HAS BEEN A MARKED SLOWDOWN IN THE GROWTH OF CONSUMER SPENDING. FINANCE HOUSES AND RETAILERS ADVANCED 233 MILLION POUNDS IN NEW INSTALLMENT CREDIT IN SEPTEMBER, DOWN FROM 252 MILLION POUNDS IN AUGUST. IMPORT PRICES ROSE BY 5-1/2 PERCENT IN SEPTEMBER, THE BIGGEST MONTHLY INCREASE SINCE THE KOREAN WAR, WHILE EXPORT PRICES INCREASED BY LESS THAN 1/2 PERCENT, THUS FURTHER WORSENING THE U.K.'S TERMS OF TRADE. LENDING BY THE LONDON CLEARING BANKS SHOWED THE BIGGEST MONTHLY INCREASE SO FAR THIS YEAR WHICH INDICATES THAT THERE IS UNLIKELY TO BE ANY SLACKENING IN THE GROWTH OF THE MONEY SUPPLY THIS MONTH. THE FINANCIAL TIMES MONTHLY SURVEY OF BUSINESS OPINION INDICATES THAT THE
END OF PRODUCTION, DELIVERIES
AND ORDERS HAS
CONTINUED TO BE VERY STRONGLY UPWARD IN THE LAST FOUR MONTHS, AND EXPECTATIONS FOR THE NEXT 12 MONTHS REMAIN VERY BUOYANT. END SUMMARY

1. THE POUND MOVED SLOWLY BUT STEADILY DOWNWARD AGAINST THE DOLLAR THIS WEEK, CLOSING AT \$2.4187 ON NOVEMBER 8 COMPARED TO \$2.4350 ON NOVEMBER 1. VIS-A-VIS HER OTHER MAJOR TRADING PARTNERS, STERLING STRENGTHENED MARKEDLY WITH THE TRADE WEIGHTED DEVALUATION AGAINST DECEMBER 1971 RATES FALLING TO 17.30 PERCENT, THE LOWEST LEVEL SINCE SEPTEMBER 3. THE GOLD PRICE REMAINED VERY STABLE THIS WEEK AND CLOSED AT \$98, UP 75 CENTS FROM LAST THURSDAY'S CLOSE.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 13160 01 OF 02 092100Z

2. U.K. OFFICIAL RESERVES ROSE BY \$379 MILLION TO STAND AT \$6761 MILLION AT THE END OF OCTOBER. PUBLIC SECTOR FOREIGN CURRENCY BORROWING INCREASED BY \$357 MILLION, BRINGING THE TOTAL SINCE THE MA
CH BUDGET TO
\$2,123 MILLION. THE TREASURY NOTES IN THEIR PRESS

RELEASE THAT RESERVE

CHANGES ARE THE
RESULT OF A VARIETY
OF TRANSACTIONS, BOTH EEBITS AND CREDITS, AND THE EXTENT
OF MARKET INTERVENTION CANNOT BE CALCULATED FROM THE
FIGURES GIVEN." THEY GO ON TO SAY: "OTHER TRANSACTIONS
AFFECTING RESERVES
INCLUDE, FOR EXAMPLE,
PAYMENTS AND
T
ANS ACTIONS FOR OTHER CENTRAL BANKS AS WELL AS INTER-
VENTION." THE INCREASE OF \$3791 MILLION AND THE TOTAL OF
\$6761 MILLION ARE RESPECTIVELY EQUIVALENT TO 131 MILLION
POUNDS AND 2335 MILLION POUNDS IF CONVERTED AT THE
PARITY
RATE OF ONE POUND EQUALS \$2.89525 OR 155
MILLION POUNDS, AND 2772 MILLION POUNDS IF CONVERTED

AT THE CLOSING MARKET RATE ON OCTOBER 31 OF ONE POUND
EQUALS \$2.4390.

3. RETAIL SALES FELL BY ABOUT 1/2 PERCENT IN VOLUME
BETWEEN AUGUST AND SEPTEMBER, AND FOR THE THIRD
QUARTER WERE ONLY 1/2 PERCENT ABOVE THE AVERAGE LEVEL IN
THE FIRST HALF OF THE YEAR. OVER THE FIRST THREE
QUARTERS OF 1973, THE TOTAL VOLUME OF SALES WAS 5-1/2
PERCENT HIGHER THAN IN THE CORRESPONDING PERIOD IN
1972. THE INDEX OF THE VOLUME OF RETAIL SALES (S.A.)

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 13160 02 OF 02 092105Z

63

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 ACDA-19 IO-14 AID-20 CEA-02 EB-11 FRB-02

NEA-10 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08

AGR-20 PER-05 ABF-01 FSE-00 DRC-01 /249 W

----- 083206

R 092046Z NOV 73
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 5481
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
TREASURY DEPT WASHDC
USDOC WASHDC

UNCLAS SECTION 02 OF 02 LONDON 13160

FOR SEPTEMBER WAS 110.4 COMPARED TO 111.0 FOR AUGUST
(1971100). NOTE: THE INDEX HAS BEEN REBASED AND 1971
NOW EQUALS 100. THE SLOWDOWN IN RETAIL SALES FITS IN
WELL WITH THE OFFICIAL GOVERNMENT FORECASTS AND THE
GOVERNMENT'S CURRENT ECONOMIC STRATEGY.

4. FINANCE HOUSES AND RETAILERS ADVANCED 233 MILLION
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 13160 02 OF 02 092105Z

POUNDS IN NEW INSTALLMENT CREDIT IN SEPTEMBER (S.A.)
BRINGING THE TOTAL FOR THE THIRD QUARTER TO 720 MILLION
POUNDS. THIS WAS CONSIDERABLY MORE THAN IN THE SECOND
QUARTER (666 MILLION POUNDS) BUT LESS THAN IN THE FIRST
(770 MILLION POUNDS).

5. IMPORT PRICES CONTINUED TO RISE IN SEPTEMBER AND NOW
ARE UP 37 PERCENT OVER A YEAR AGO. THE DRAMATIC JUMP OF
5-1/2 PERCENT IN SEPTEMBER IS SEEN AS A SETBACK TO THE
GOVERNMENT'S ANTI-INFLATIONARY POLICY WHICH DEPENDS ON
A TURNAROUND IN THE TERMS OF TRADE. IN CONTRAST, EXPORT
PRICES WENT UP BY LESS THAN 1/2 PERCENT. ON AN INDEX
BASIS IMPORT PRICES IN SEPTEMBER WERE 151.9 AND EXPORTS
WERE 128.4 (N.S.A., 1970100) WITH THE TERMS OF TRADE
INDEX (EXPORT INDEX AS A PERCENTAGE OF THE IMPORT INDEX)
FALLING 4-1/2 POINTS TO 84.5.

6. LENDING IN STERLING TO U.K. RESIDENTS BY THE LONDON
CLEARING BANKS ROSE BY 749 MILLION POUNDS TO 12,920

MILLION DURING THE FOUR-WEEK PERIOD TO MID OCTOBER. THIS COMPARES WITH A FALL OF 51 MILLION POUNDS IN THE PREVIOUS PERIOD AND IS THE LARGEST INCREASE FOR A FOUR-WEEK PERIOD THIS YEAR. THE RISE IN LENDING, AT A TIME OF YEAR WHEN DEMAND FOR ADVANCES WOULD NORMALLY BE EXPECTED TO BE RELATIVELY SLACK REFLECTS TO A CONSIDERABLE EXTENT THE IMPACT OF PAYMENTS OF VAT BY MANUFACTURING CONCERNS, COVERING A FIVE MONTH PERIOD.

7. THE FINANCIAL TIMES MONTHLY SURVEY OF BUSINESS OPINION ECHOES MUCH OF THE SENTIMENT REPORTED EARLIER. ORDERS ARE UP BOTH IN THE DOMESTIC AND EXPORT SECTORS. WHERE COMPANIES ARE WORKING BELOW CAPACITY IT IS NOT FOR WANT OF BUSINESS, BUT BECAUSE OF SHORTAGES OF RAW MATERIALS AND MANPOWER. INDUSTRY EXPECTS INFLATIONARY PRESSURES TO GET WORSE BECAUSE OF THIS POTENTIAL OVERHEATING AND STAGE THREE PROVISIONS. BUSINESSMEN DO EXPECT ORDERS AND OUTPUT TO EXPAND STRONGLY OVER THE NEXT YEAR AND THE OUTLOOK FOR INDUSTRIAL INVESTMENT REMAINS BULLISH.

8. THE FORWARD DISCOUNT ON ONE MONTH STERLING WIDENED
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 13160 02 OF 02 092105Z

AT THE BEGINNING OF THE WEEK BUT FELL BACK ON THURSDAY (NOV. 8). AT THREE AND SIX MONTHS IT NARROWED ON TUESDAY (NOV. 6), WIDENED ON WEDNESDAY (NOV. 7) AND NARROWED AGAIN ON THURSDAY (NOV. 8).

	11/1	11/8	CHANGE
1 MONTH	0.75	0.59-1/2	DOWN 0.15-1/2
3 MONTHS	2.40	2.18-1/2	DOWN 0.21-1/2
6 MONTHS	4.76	4.56-1/2	DOWN 0.19-1/2

(ALL FIGURES IN CENTS)

9. LOCAL AUTHORITY DEPOSIT RATES AT ONE AND THREE MONTHS MOVE DOWNWARD UNTIL THURSDAY (NOV. 8) WHEN THEY BEGAN TO MOVE UPWARD. THE SIX MONTH RATE REMAINED UNCHANGED ALL WEEK.

	11/1	11/8	CHANGE
1 MONTH	12-3/4	11-3/4	DOWN 1
3 MONTHS	12-3/4	12-7/8	UP 1/8
6 MONTHS	12-7/8	12-11/16	DOWN 3/16

10. EURO-DOLLAR RATES MOVED IN A MIXED PATTERN.

	11/1	11/8	CHANGE
1 MONTH	9-3/8	9-1/2	UP 1/8
3 MONTHS	9-3/8	9-1/2	UP 1/8

6 MONTHS 9-3/8 9-1/4 DOWN 1/8

11. THE MINIMUM LENDING RATE REMAINED FIXED AT 11-1/4
ON FRIDAY, NOVEMBER 9.

ANNENBERG

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, EURODOLLAR, POUND (CURRENCY), DEVALUATIONS, FOREIGN EXCHANGE RATES, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LONDON13160
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731144/aaaabgiv.tel
Line Count: 283
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08-Aug-2001 by maustmc>; APPROVED <21-Aug-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC DEVELOPMENTS: WEEK ENDING NOV 9. BEGIN SUMMARY: WHILE THE POUND STRENGTHENED AGAINST
TAGS: ECON, UK
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005